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Churches Need Protection Too

Why Consumers Buy Security

A CAHNERS PUBLICATION

AUGUST 1992

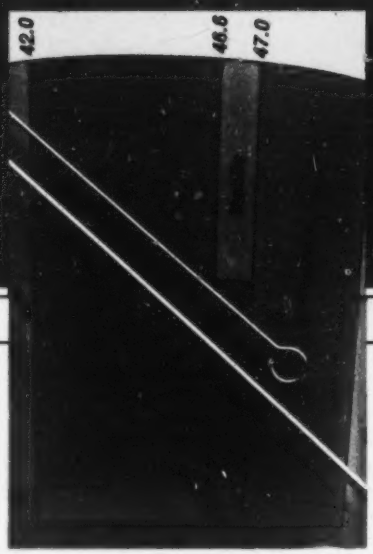
Installation Reliability

SPECIAL FEATURE

Wireless Technology

NATIONAL BURGLAR & FIRE ALARM

SECURING AMERICA



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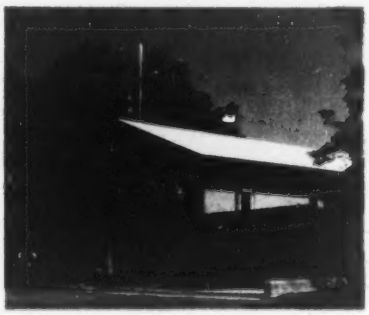
108 *Job boxes help ensure an efficient installation.*



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ABOUT THE COVER

A complete job box is just one facet of a program that makes installations run more smoothly and employees, such as Gary Ostrowski, electronic technician (left) and Darrell Murdoch, installer, Safeguard Security Services Inc., Phoenix, work more productively. See page 106.

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HOME SECURITY

Alarm Buyers Shop for Quality

Results of a study show that price is not the main driving force in the alarm system buying decision.

By Simon Hakim and Andrew Buck

Today's consumer marketing advertisement and promotional campaigns rarely go beyond the price issue. One of the primary driving forces in the American economy is who is offering the best deal for the lowest price. Product quality and service are addressed only when there is little or no price pressure on the product being sold or when the product has become a commodity item and prices are so low that they no longer are an issue.

Residential security systems are a unique product because there is tremendous price pressure in the market and yet, particularly at the high end of the price scale, product quality and service still carry a lot of weight. Most dealers who are successful for the long term have built their businesses by selling product quality and service, many times in spite of extreme price pressures in their local markets. They also have been able to maintain the profit margins they need to keep their businesses growing.

No doubt most of these successful dealers would agree that selling security systems this way definitely is the more difficult high road to business success. But is basing alarm system sales on product quality and customer service legitimate, or is it a "smoke and mirrors" technique that consumers rarely believe?

A survey about the effectiveness of residential security systems measured how alarm owners choose a security dealer/system, and in the process answered this question.

The survey indicates that 47% took the advice of their friends, neighbors, or relatives. Insurance companies provided dealers' names for 13% of alarm owners, and security personnel at work advised 9% of owners. Added together, this represents nearly 7 out of 10 (69%) alarm owners who relied on personal references in their selection of a security dealer.

About one in 10 alarm owners (11%) researched their purchase of a security system by using *Consumer Reports, Yellow Pages,* advertisements, and other sources. The remaining 20% of alarm owners purchased their alarm system after contacting several dealers and listening to their sales presentations.

Survey respondents commented that they wished their police departments would provide more concrete information about alarm systems and installing companies.

In one of the communities studied, the crime prevention officer provides residents with a free detailed security check, which includes recommendations for improved security. The officer also provides a list of installers licensed by the municipality and indicates which are members of the state burglar and fire alarm association.

A large number of respondents appreciated this service. In reality, however, few, if any police departments will endorse or recommend specific companies within their jurisdiction.

Shoppers want quality

When security system owners were asked what advice they would give to potential alarm owners, phrases such as "select a known company, reputable, one that has been in business for a long time, experienced, reliable, stable, and operates with integrity," were regularly used.

Photo courtesy of Adesco

A study of how consumers choose an alarm company shows that most people depend on personal references to help them select a dealer.

None of the respondents suggested selecting a dealer or purchasing a system based on installation price and/or monthly monitoring fees.

Based on these findings, it appears that providing quality, reliable, continuing service is key to the success of independent installing companies. Advertising efforts and cold-call promotions that focus on "specials" or "sales" are not necessarily cost-effective approaches for increasing a client base.

Alarm owners also suggested to potential owners that they look for a flexible system that can be easily modified. They recommended choosing a system with quality sensors, more than one panic button, and a central station connection. Many said that the system should be on all the time. They warned those considering a security system not to settle for an inexpensive self-installed model, indicating their satisfaction with having contacted a professional.

An overwhelming majority of security system owners are satisfied with their decision to have an alarm system installed.

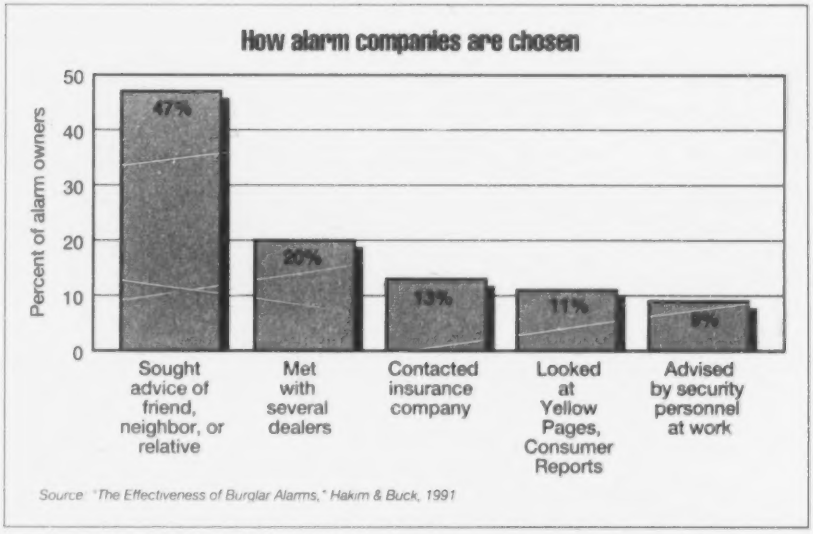
Experiences with alarms

An overwhelming majority of security system owners, 94%, are satisfied with their decision to have an alarm system installed and 83% of those people stated that the primary reason for their satisfaction was the feeling of safety the system provides.

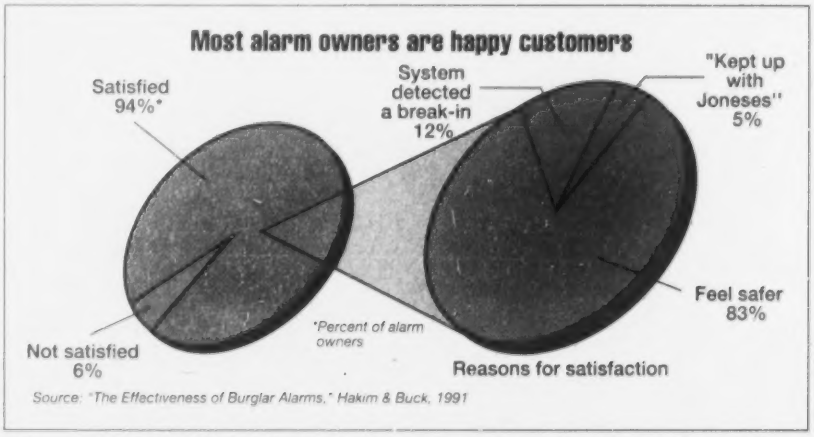
About 12% of all satisfied respondents said their systems had detected a break-in. Five percent of respondents were satisfied because having a system meant being able to keep up with their neighbors who also had systems.

Clearly the respondents to this study have gone beyond the price issue and are viewing their security systems as protectors of life and property and providers of peace-of-mind.

While there will always be a sizable number of consumers who will base security system purchases solely on price, this study suggests that quality and service are still the primary factor in the consumer buying decision. **SDM**



Buying a security system involves a very personal decision. Nearly 7 in 10 alarm owners selected a dealer after seeking the advice of friends, neighbors, relatives, insurance agents, and/or security personnel where they work.


Most alarm owners are happy customers
Satisfied 94%*
System detected a break-in 12%
"Kept up with Joneses" 5%
Feel safer 83%
Not satisfied 6%
*Percent of alarm owners
Reasons for satisfaction
Source: "The Effectiveness of Burglar Alarms," Hakim & Buck, 1991

Alarm companies that sell peace-of-mind are right on target with the needs of residential consumers. According to a survey, 94% of alarm owners are satisfied with their purchases; most say their alarm system makes them feel safer.

About the survey

This article is based on results of a study, "The Effectiveness of Burglar Alarms," conducted between 1989 and 1991 in three Philadelphia suburbs. It includes responses from 543 homeowners, representing both owners and non-owners of alarm systems. The study's authors, Simon Hakim and Andrew Buck, are professors of economics at Temple University, Philadelphia.

Upcoming issues of *SDM* will feature results on the effectiveness of burglar alarm systems in the commercial marketplace. The entire study is available from the National Burglar & Fire Alarm Association, 7101 Wisconsin Ave., Suite 1390, Bethesda, MD 20814-4805; phone (301)907-3202, or circle **428** on the Reader Service Card.

News Briefs

Events and issues impacting the security industry

Alarm industry scores legislative victories

The alarm industry scored many victories in conjunction with the House of Representatives Judiciary Committee's passage of HR 5096, the Anti-trust Reform Act of 1992. The 24-to-9 vote included a unanimously passed amendment stating that the Regional Bell Operating Companies (RBOCs) can continue to offer their information services in the markets they have already entered, except for the alarm industry.

The amount of attention that the alarm industry has generated among members of the House Judiciary Committee also is evident in another element of the bill. The bill's three-, five- and seven-year waiting periods that restrict the RBOCs in terms of when they can request entry into specific industries were eliminated and replaced with a five-year waiting period for all industries. The alarm industry previously fell into the three-year category.

AT&T, which wants to keep the RBOCs out of the long-distance business, also benefited from this portion of the bill. Even though it has more resources "AT&T piggybacked onto us. We carried the bill," said Michael Evans, legislative assistant with the Keefe Co. The Washington firm is lobbying for the alarm industry on the RBOC issue.

"Compared with the lack of notice the alarm industry had six months ago, the outcome is amazing," Evans said.

Despite the Judiciary Committee victory, the war is not over. The bill must go through the Rules Committee, where guidelines on the bill's amendments and voting procedures must be set; pass the full House; go through a similar process in the Senate; and be signed into law by the President.

The House will most likely discuss and vote on HR 5096 in September, Evans said. To support a favorable outcome for the alarm industry, the National Burglar & Fire Alarm Association has scheduled a Legislative Blitz for the evening of Sept. 14 and throughout the day on Sept. 15.

The alarm industry's lobbying endeavors have reached beyond the Judiciary Committee. Rep John Dingell, D-MI, and Billy Tauzin, D-LA, introduced HR 5559 to the Committee on Energy and Commerce on July 2. HR 5559, known as the Information Services Fair Competition Act of 1992, also singles out the alarm industry for special consideration. It prohibits the RBOCs from entering the industry for 10 years.

Despite the positive elements of the bill, industry experts have discovered a few loopholes that threaten the alarm industry. "I have some technical concerns with the definition of the alarm industry and the treatment of customer proprietary network information," said Bill Signer, vice president of the Keefe Co.

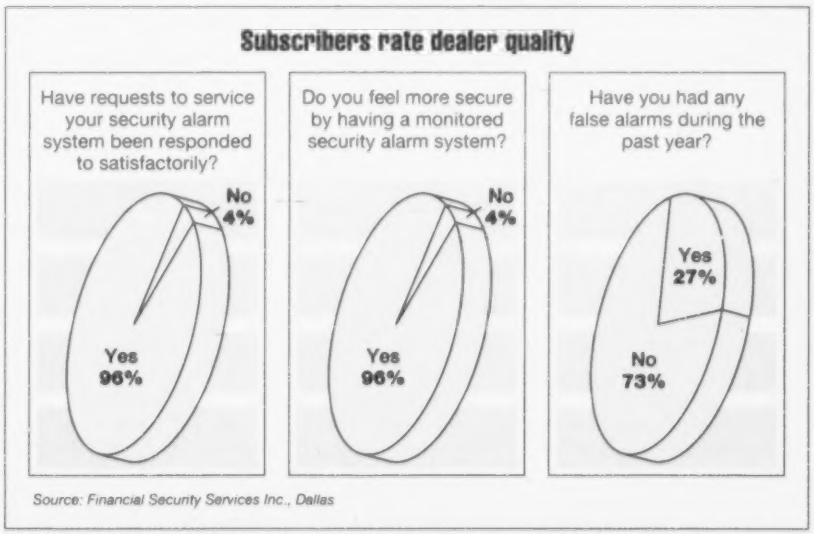
Specifically, the bill calls for the RBOCs to make customer information, which generally is accessible only to its affiliates available to the general public.

However, the bill also includes an exemption that would allow the RBOCs to deny this information to non-affiliates if they first obtain customer consent. "We are looking for some modifications," Signer said.

Subscribers polled for satisfaction

Financial Security Services Inc. polled subscribers of 30 companies in 1991 to determine their satisfaction with the quality of work security companies were providing. The results, orginally intended to help the company assess the extent to which it would finance companies, gives a relatively objective indication of what customers think about the alarm companies that serve them. A total of 811 subscribers responded to the first two questions and 796 responded to the third. The Dallas-based company made an effort to exclude false alarms as a result of the subscriber's human error, said David Fields, president.

Although overall the alarm companies made a good showing, especially in the first two questions, significant disparity existed among the answers regarding individual alarm dealers. Responses to the first question ranged from 100% of the subscribers satisfied with their service to only 67% for one company. In terms of promoting a sense of security, responses ranged from 100% satisfied to 75% satisfied. Responses to the false alarm question ran the spectrum from 94% of one company's subscribers without false alarms to only 33%.


Subscribers rate dealer quality
Have requests to service your security alarm system been responded to satisfactorily?
No 4%
Yes 96%
Do you feel more secure by having a monitored security alarm system?
No 4%
Yes 96%
Have you had any false alarms during the past year?
Yes 27%
No 73%
Source: Financial Security Services Inc., Dallas

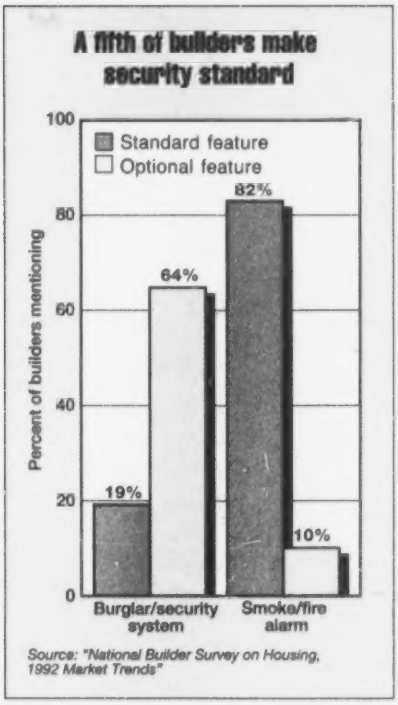
In terms of subscriber satisfaction, polled security alarm owners cite false alarm as the cause of most concern. Overall, subscribers are content with the level of service companies provide and the security their systems offer.

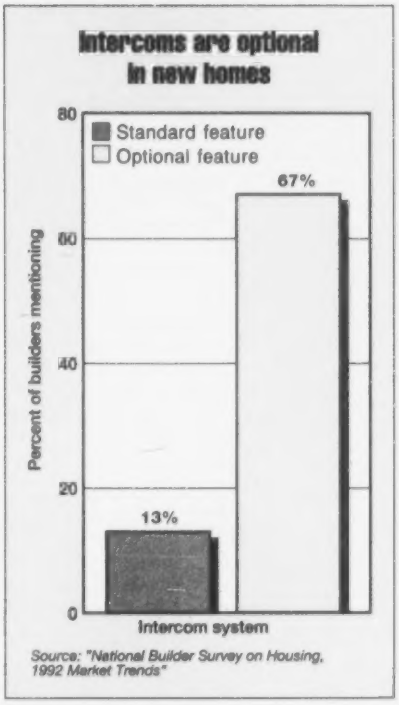
SDM® Update

Statistics on market conditions and trends

Connect with large-home builders

By Laura E. Stepanek
Senior Editor, SDM





The higher the price of the home, the more builders offer security as a standard feature. The lower the price, the more it is offered as an option. Smoke alarms usually are required by state code. Intercoms are still mostly an option.

A healthier construction market in 1992 means more opportunities for security companies who prewire and install security systems in new homes.

According to "National Builder Survey on Housing, 1992 Market Trends," 19% of builders offer burglar alarm systems as a standard feature and 64% offer them as an option.

"Even though we have a low crime rate, we want our buyers to have the sense of security that a burglar alarm brings," says Leonard Steinberg, Heartland Homes, Las Vegas.

The key to selling customers on a security system, Steinberg says, is to thoroughly demonstrate how the system works, even if that means bringing in the alarm company representative.

Steinberg says people who shop for higher-priced homes are more receptive to an alarm than those shopping in lower price ranges.

The survey shows that in homes valued at less than $200,000, only 13% of builders offer security as a standard feature. In homes in the $200,000 to $300,000 price range, that number jumps to 27%. In the $300,000 to $500,000 range, 49% of builders make security standard. In homes worth more than half a million, 70% include a burglar alarm.

Slight softening in business confidence

The Cahners Business Confidence Index dipped 1.6 points to 64.9 in May, reflecting some of the softer economic statistics seen during the month. However, this does not mean that economic conditions will soon decline.

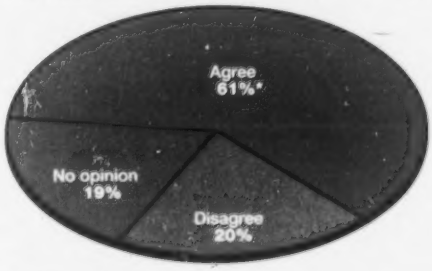
In May, slightly more than half of businesses rated current business conditions as good or excellent—the same number as the previous month. Over the next three months, 88% of business managers expect overall economic conditions to improve. Plans to increase inventories continue to grow, reaching 57.9 in May. When businesses plan to increase inventory, it's a strong indication of their confidence in the economy.

Both manufacturing and construction reached peak levels last month and dipped slightly in May. In construction, the industry most closely related to security system sales, a realization that the President's budget proposals for housing are not likely to move through Congress has dampened optimism.

Each month, the index surveys 400 U.S. manufacturing firms about business activities. Index scores can range from 0 to 100. Numbers above 50 show economic growth and numbers below 50 indicate a shrinking economy.

Dealers have high hopes for police relations

Dealers were asked to agree or disagree, "By 1996, police perception of security systems and dealers will improve."



Source: SDM 1992 Forecast Survey, Nov. 1991 *percent of respondents

Six in 10 alarm dealers are hopeful of improved relations with police in the future, their opinions perhaps reflective of the industry's increasing emphasis on false alarm reduction programs.